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SUBJECT: HCMC OFFICIALS -- STILL ON TRAINING WHEELS?

REF: (A) 02 HCMC 0075, (B) 02 HCMC 0117

1. Summary: Since the Prime Minister signed "Decree 93" in December 2001, granting Ho Chi Minh City some level of municipal autonomy from the national government, the city is still struggling to interpret how much autonomy has actually been devolved from Hanoi and is treading cautiously. Although HCMC has yet to see any dynamic impact or "breakthroughs" as a result of the Decree, according to a number of local officials, it has seen a modicum of change in land allocation, management of public servants, streamlining administrative processes, and, to a lesser extent, the budget. Moreover, it appears that Decree 93 is merely the first step on a long road forward, and many government officials are awaiting further "clarifying" decrees to help guide them toward increased municipal autonomy from Hanoi.

2. When it was announced in December 2001, Decree 93 was heralded as a watershed development for Ho Chi Minh City by local officials and the press. It was supposed to "liberate" the city from the bureaucratic harness of the Hanoi central government, and give it more freedom in decision-making. The intention of Decree 93 was to transfer more authority to HCMC in four designated areas: 1) planning, investment, and socio-economic development; 2) housing, land, and urban infrastructure; 3) budget; and 4) organization of city agencies and managing staff. In a series of meetings with local officials that would presumably be affected by any changes in these areas, they referred to a general, if somewhat slow, trend toward more HCMC autonomy, but struggled when it came to specific examples of progress directly related to Decree 93.

Land Acquisition Hard but Easier

3. The process of acquiring land probably reflects the most apparent changes. The HCMC People's Committee is now authorized to allocate land of all sizes and grant land-use rights to individuals and companies, eliminating the need to send the proposal up to Hanoi and lobby for its approval. Another improvement for HCMC is the authority to approve investment projects valued over USD\$10 million, although the Prime Minister still must approve a "feasibility study" of these major projects before final action can be taken. In order to ease the process of obtaining land-use rights, a "one-stop shop" has been established by the city. First, buyers work with the Department of Planning and Investment to obtain a land license (which should take 20 days for cleared land; 40 days for uncleared land), and after the license is obtained, investors visit the Department of Natural Resources to obtain the land itself. Land-use rights for individuals can be approved at the District People's Committee level, but a HCMC People's Committee Vice-Chairman must approve land-use rights for any organization, company or foreigner.

4. Even though the individual or company now faces a significantly reduced waiting period for acquiring land-use rights, there do not appear to be any fewer steps or approvals in the process at the city level. Instead of the individual or company shuffling around papers to all the relevant offices, a representative of the Department of Natural Resources and Environment does the shuffling. While this is clearly a win for land-use rights applicants, the overall approval process remains equally convoluted, and the idea of the "one-stop shop" was not a product of Decree 93. Some HCMC officials argue, however, that Decree 93 made it possible for HCMC to streamline these procedures, and rightfully point out that these decisions no longer require the approval of Hanoi.

Administrative Reforms

5. HCMC officials stated that the process of streamlining administrative processes and government departments has been improving since Decree 93 was implemented, especially in restructuring public offices to be more simplified from the city to the local level. Mr. Nguyen Trung Thong, Deputy National Project Director of the UNDP-funded project for Public Administration Reform, stated that since the year 2000, HCMC government agencies have been reduced in number from 46 to 10, and there has been an overall reduction in staff of 10-12 percent in the city's bureaucracy. He claimed that the city had been working with some success at streamlining and increasing transparency of administrative processes. Now anyone can go to a department and obtain the list of procedures required for a given service. Another significant change for HCMC is more control over the hiring and firing of HCMC public officials, as well as over their salaries. Hanoi previously directed uniform salaries for public servants throughout the country, regardless of

specialization or location, and also approved all public officials. More control over these areas allows HCMC to better manage the direction of its public policy, as well as attract better-qualified candidates into public service. Mr. Thong noted that these changes have allowed HCMC to hire younger, university-educated individuals, and move younger people into higher-level positions at a faster pace.

The Budget

16. Whether HCMC has increased control over its budget, and has actually been able to retain more of its revenues, remains hidden under opaque regulations for negotiating revenue targets and percentages of revenue to be retained. Most HCMC government officials who spoke to Econoff stated that HCMC is able to retain more of its tax revenues than before Decree 93, although exact amounts were never mentioned, even after repeated questioning. It appears that the recent issuance of yet another decree signed by Prime Minister Phan Van Khai will clarify some of the previous uncertainty over the budget. This Decree 124 details more explicitly HCMC's control over some budget items and supersedes any budget-related issues outlined in Decree 93. (Post Note: The Standing Vice-Chairman of the HCMC People's Committee has said in meetings that HCMC's now retains about 32 percent of its tax revenues, compared to about 18 percent before. The goal, he has noted, is to retain at least 40 percent. End note.)

17. Decree 124 stipulates that HCMC will still need to negotiate its budget and tax collection target with Hanoi every year. However, once the two parties agree on a revenue target, the percentage of the revenue up to the target amount HCMC keeps will remain fixed for five years. No one could tell ConGen the current percentage. If HCMC collects more than the revenue target agreed upon, HCMC keeps 30% of the income collected above the target, but it can only be spent on pre-approved infrastructure projects.

18. Finally, Decree 93 allows HCMC to issue municipal bonds to raise capital, and the city did so last year for the first time. Decree 124 further expands HCMC's options to acquire capital by permitting HCMC to borrow money from foreign sources for certain infrastructure projects. The ability to raise additional capital will be vital as HCMC tries to build an adequate infrastructure for its growing population.

19. Comment: Unless city officials are just painfully shy about commenting on publicly available government decrees (a distinct possibility), even they have a great deal of uncertainty as to how much autonomy Decree 93 actually has given Ho Chi Minh City. The city is on the right track, but it will probably limit itself to a few tentative steps while waiting for additional "clarifying" decrees to be issued. City officials still feel the need to avoid moving too quickly, for fear of attracting Hanoi's attention or drawing the envy of other provinces. Just the same, it is good news that HCMC officials seemed truly interested in, and understand the need for, further administrative reforms and increased decision-making autonomy. While Decree 93 gave HCMC a yellow light to make independent decisions in certain areas, there is no green light from Hanoi on the crucial question of autonomy.

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